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Senate

Statement of Senator Dianne Feinstein

“On Passage of the Jumpstart Our Business Strength Act”

MRS. FEINSTEIN. Mr. President, I rise in favor of the Jumpstart Our Business Strength (JOBS) Act.

This is far from a perfect bill.

But, without this legislation, U.S. companies will face increasing tariffs as a result of a World Trade Organization ruling that determined that significant portions of our federal tax code ran counter to international trade laws.

Additionally, I voted for it because on balance it provides important tax relief for California businesses and labor protections for California workers.

This bill will:

Effectively provide a three percent tax cut for manufacturers;

Give manufacturers a 50 percent tax credit for the cost of adding jobs;

Extend the research tax credit through 2005;

Protect hundreds of thousands of workers from cuts in federal overtime protections;

Prevent the federal government from spending taxpayer dollars on contracts with companies that use foreign labor when there are domestic alternatives;

Provide a tax credit for companies which produce energy by using underbrush and other potentially hazardous fuels found in our forests;

Provide a tax credit for consumers who buy hybrid vehicles; and

Protect the California film industry and the jobs it creates.

Since January 2001, California has lost 350,000 manufacturing sector jobs.

A three percent tax cut for manufacturers, coupled with a 50 percent tax credit for the cost of adding new jobs, will help us create more jobs in California.

The research tax credit will also help California, potentially more than any other state.

Productivity growth in recent years has been driven by the combination of new technology and investments in capital goods, research and development, workers, and public infrastructure.

To continue this pattern of growth, the focus must now be on providing incentives to companies that invest, innovate, and create the new capital and knowledge that drive the U.S. economy.

Since its enactment in 1981, the research tax credit has provided a powerful and effective incentive for firms to increase research spending.

The tax credit lowers the cost of conducting research in the United States.

This credit makes a real difference in the amount of research undertaken and jobs created in the U.S.

I also support the Harkin amendment which was adopted as part of this legislation. This amendment will prevent the White House from implementing changes in existing overtime laws that reduce the number of workers protected by labor laws.

Last year the White House proposed redefining the job descriptions of millions of workers, thereby eliminating their right to federal overtime protection.

After many in this chamber raised serious concerns over such a change, the Administration released final rules that made a significant, yet insufficient, change to those draft rules.

Unless we act, these rules will take effect later this year.

If the Department of Labor's own numbers are correct, then more the 117,000 individuals could lose overtime protection. If they are wrong, it could be millions.

These rule changes would wipe out overtime pay protections and increase work hours.

In California alone, several hundred thousand workers could lose their federal overtime protection. However, state law will continue to protect most workers from the most harmful effects of this rule change.

But, some public employees and many in the film industry won't be so lucky.

Although most workers in California will maintain their right to overtime through protections granted by state law, the rule change represents a movement in the wrong direction when it comes to protecting working families.

I also support provisions in the bill that will prevent the federal government from spending taxpayer money on contracts that use labor located outside of the United States.

Although our nation has entered a period of economic recovery with significant productivity gains in the last several quarters – it is clear that a great deal of this productivity comes from two things:

Downsizing of employees, and Outsourcing – turning to foreign labor in foreign countries.

In the past decade, General Electric sent 10,000 information services jobs to India; Electronic Data Systems exported 13,800 jobs to several nations;

Microsoft spent \$100 million on a new call center in the Philippines; and Citigroup and Bank of America both sent software development jobs to India.

And, while corporate earnings are up and the stock market remains high, we are continuing to lose service sector and manufacturing jobs.

I realize that many firms benefit greatly from outsourcing, but it damages the long term health of our communities unless we vigorously support new job growth.

We must give companies incentives to keep jobs here, and we must ensure that taxpayer money is not used to subsidize outsourcing.

This legislation will also help protect our environment by providing tax credits that encourage companies to produce energy by using underbrush and other hazardous fuels from our forests.

By providing an incentive to companies to remove these hazardous fuels from our forests, we will reduce the chance of forest fires in the Western United States and provide much needed energy to this region of the nation.

Additionally, this bill contains tax credits directly to consumers who purchase hybrid vehicles. These vehicles reduce air pollution and cut ozone in California.

Having said this, however, I recognize that there are

significant problems with this bill.

For instance, it is clear that multi-national corporations are not paying their fair share of taxes.

This bill allows companies to bring foreign-earned profits back into the United States at a greatly reduced tax rate – reduced from the current 35 percent to 5.25 percent.

This is half as much as the lowest personal tax rate paid by individuals – 10 percent.

Under an amendment which I sponsored with Senator Breaux, companies would have been allowed to bring foreign-earned profits back to this country at the reduced 5.25 percent rate provided that they use those repatriated profits for activities that promote job growth or benefit employees.

Sadly, a lobbying effort by large multi-national companies helped to defeat that amendment.

What is disturbing about this provision is that an unconscionable number of American companies are taking advantage of loopholes in U.S. tax law and paying no taxes.

According to a recent Government Accounting Office

report, (entitled “Comparison of the Reported Tax Liabilities of Foreign and U.S. Controlled Corporations, 1996-2000”), 61 percent of U.S. controlled corporations and 71 percent of foreign-owned corporations operating in the U.S. reported no tax liability during the period studied.

This means that approximately two-thirds of all companies operating in the U.S. paid absolutely no corporate income taxes between 1996 and 2000.

This is stunning.

Corporate tax receipts used to account for a much greater percentage of federal revenues than they currently do.

According to the Brookings Institution, in 1945, income taxes from corporations accounted for 35.4 percent of federal receipts. In 1970, income taxes from corporations accounted for only 17 percent of federal revenues.

Today, however, corporate income taxes account for only 7.8 percent of federal revenues.

This means that corporations are paying a smaller percentage of taxes than they have in the past five decades.

We have got to change the way we tax corporations in America.

We have got to provide incentives to encourage corporate responsibility.

Corporations have got to worry about more than just the bottom line. They have got to become good corporate citizens. Unfortunately, this bill does not do enough to encourage that kind of corporate responsibility.

Going forward, I will seek to return balance to our tax system.

The middle class is being squeezed, while multi-nationals continue to outsource jobs and receive tax breaks for doing it.

Nevertheless, I will vote to protect California workers by helping to foster an environment where manufacturers can hire again.

I will support research and development in our labs and factories.

And, I will support protecting overtime protections for California citizens.

This is by no means a perfect bill.

But taken as a whole, I believe it is worthy of passage.

Thank you.